CITY OF MORGAN HILL

Downtown Implementation Workshop

January 20, 2009

Key Objectives of Workshop

- Illustrate a range of opportunities provided by the downtown specific plan
- Zero in on objectives for first phase of implementation
- Establish schedule and milestones for first phase

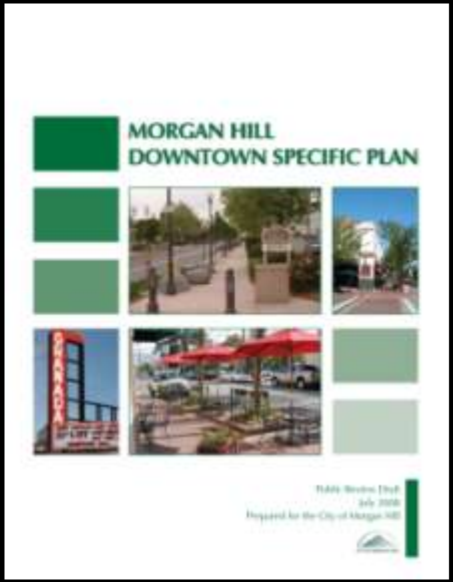
Workshop Overview

- Background: 10-15 minutes
  Specific Plan – Success Factors – Constraints
- Retail, Circulation & Parking, Residential: 5 to 10 minutes
  Anchors, Tenant Type & Mix – On- & off-street parking – Residential Mix
- Opportunity Sites & Capacity Studies: 15 minutes
  18 Block Downtown – All Prospective Sites – 6 Opportunity Sites
- Develop Consensus on objectives for First Phase of Implementation Strategy: 20-30 minutes
- Future Phases / Community Outreach: 5 to 10 minutes
- 3rd Street Promenade

Recent Agency Actions

- New Courthouse: opening April 6, 2009
- Acquisition of Property
  - ➢ assemble larger sites for redevelopment
  - ➢ for additional off-street parking facilities
- Public Improvements
  - ➢ Depot Street Improvements
  - ➢ Courthouse Square
  - ➢ Third Street Promenade
- Technical Assistance to Property Owners
  - ➢ Design team to inform property owners of options to develop

Downtown Specific Plan (SP)



- Council’s 2007 Goals and DT Strategic Direction
- Final consideration for SP is Spring/Summer 2009
- SP is through 2030 year
- Master downtown EIR for projected development
- New dwelling units = 1,081(now 193)
- New retail = 166,490 square feet (now 123,365)
- New office = 60,591 square feet (now 122,248)
- New parking spaces = 306 by 2015 (now ~ 1,200)

Downtown Success Factors

- Downtown Character
- Brand & Image
- Retail: amount of space & mix
- Housing: number of units & mix
- Parking: quantity and location
- Tipping Point – Density Required
- Flexibility - Balance

External Constraints affecting the overall Investment Climate

- International Financial Crisis
- Global Recession
- Property Developers: commercial & residential
- Retailer bankruptcy or expansion plans on hold
- Federal / State / Local budget stress

Comparable Downtowns

1. Alameda
2. Campbell
3. Castro Valley - theater
4. <u>Danville</u>
5. Gilroy
6. Hayward - theater
7. Healdsburg
8. <u>Livermore - theater</u>
9. Los Gatos
10. Mountain View
11. Napa
12. Palo Alto
13. <u>Pleasanton</u>
14. Redwood City - theater
15. San Mateo - theater
16. Santa Cruz - theaters
17. San Rafael - theaters

Retail Competition

- City-wide Strategy

  focus on auto dealerships + interested national & regional retailers
  (eg: Trader Joes, DSW Shoes)

- Local Competition

  4 Major Shopping areas:
  (1) Monterey/Tennant; (2) Dunne/101; (3) Cochrane/101; (4) Downtown

- Three Theater Sites

➢ Tennant Station (11 screens – 1,333 seats) – just added 3 screens & 430 seats

➢ Cochrane Commons (16 screens, 3,000 seats) – approved

➢ Downtown Granada (2 screens – 400 seats) - vacant

Downtown Retail Strategy

- Specific Plan Identifies

  Restaurants – Entertainment – Food & Grocery - Bakeries – Produce – Wine & Cheese – Home Furnishings – Niche shops

- Suggested Downtown ANCHOR Strategy

  - Create 5 viable “anchor-type” retail spaces on 5 key corners

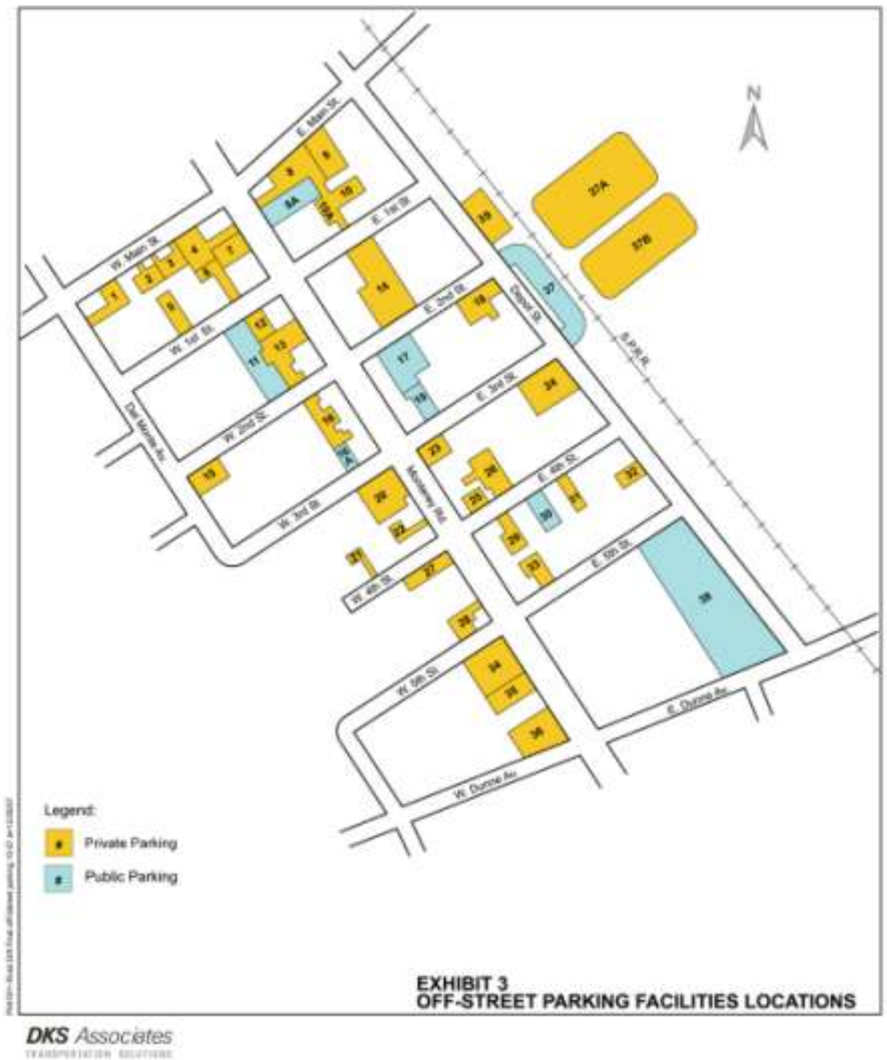
  - Anchors would be:
    - operators with other locations: either regional or sub-regional
    - Preferably not restaurants as anchors
    - Examples: Sports (SkateBoard shop), Kitchenware, Health (spa, yoga), others
    - Not likely to be international or national retailers

      (e.g. Nordstrom, Crate & Barrel, Best Buy, Office Depot, Barnes & Noble, Sports Authority, Michaels – to name just a few)

1. Monterey & East First (southeast corner) – DT Mall
2. Monterey & East Second (southeast corner) – Clothiers
3. Monterey & East Third (southeast corner) – Simple Beverages
4. East Third & Depot (northwest corner) – Depot Square
5. East Third & Depot (southwest corner) – Sunsweet

Retail Anchors – 5 Key Intersections

Circulation & Parking



760 spaces

473 spaces

Off-Street and On-Street Parking

PARKING DOWNTOWN (approximate)

	Off-Street	On-Street	Total	
Current	760	473	**1,233**	
Removed	0	(40)	**(40)**	E.3rd St.
New	132	0	**132**	3 lots
Total	892	433	**1,325**	

Net New by end of 2009	**92**
Required for 2015 build-out	***306***
Required for 2030 build-out	***808***

Existing Lots nearby to Downtown (not included above)

Caltrain (VTA/City)	**467**
CCC	**232**
Courthouse (approx.)	**220**
Total	**919**

Potential Structures at Depot Street Sites

Site 1 - 3-level	**400**
Site 2 - 4-level	**600**

Downtown Parking

Residential Mix

- For-Sale condominiums

  Mix of units: from 2 bedroom, 2 bath to 4 bedroom, 3 bath

  Sized from 900 to 1,500 square feet
- For-Rent apartments

  Minimum project size is 40 units

  Range of studios, one to three bedrooms

  Sized from 400 to 1,300 square feet
- Units Require On-Site Parking (per Specific Plan)

  for residents, but no guest parking is required

Potential Development Sites Downtown

B1: Block 3 – 95 E. 3rd (Depot Center, Booksmart, etc.)

Block 16 – VTA / RDA property (Caltrain lot)

C1: Block 4 – south side E. 3rd (Sunsweet, etc.)

A1: Block 2 (RDA) – Monterey & E. 1st/2nd (DT Mall)

B2: Block 3 - 45 E. 3rd (single family home)

A2: Block 3 (RDA) – Monterey & E. 2nd

Map of the 6 Opportunity Sites

Capacity Studies

Team

- WRT / Solomon ETC (architects)
  - John G. Ellis & Christopher Pizzi
- Plant Construction (construction estimating)
  - Jeff Gherardini
- Keyser Marston (financial analysis)
  - Tim Kelly

Residential & Housing Projects of WRT | SOLOMON ★ E.T.C.

Plant Construction

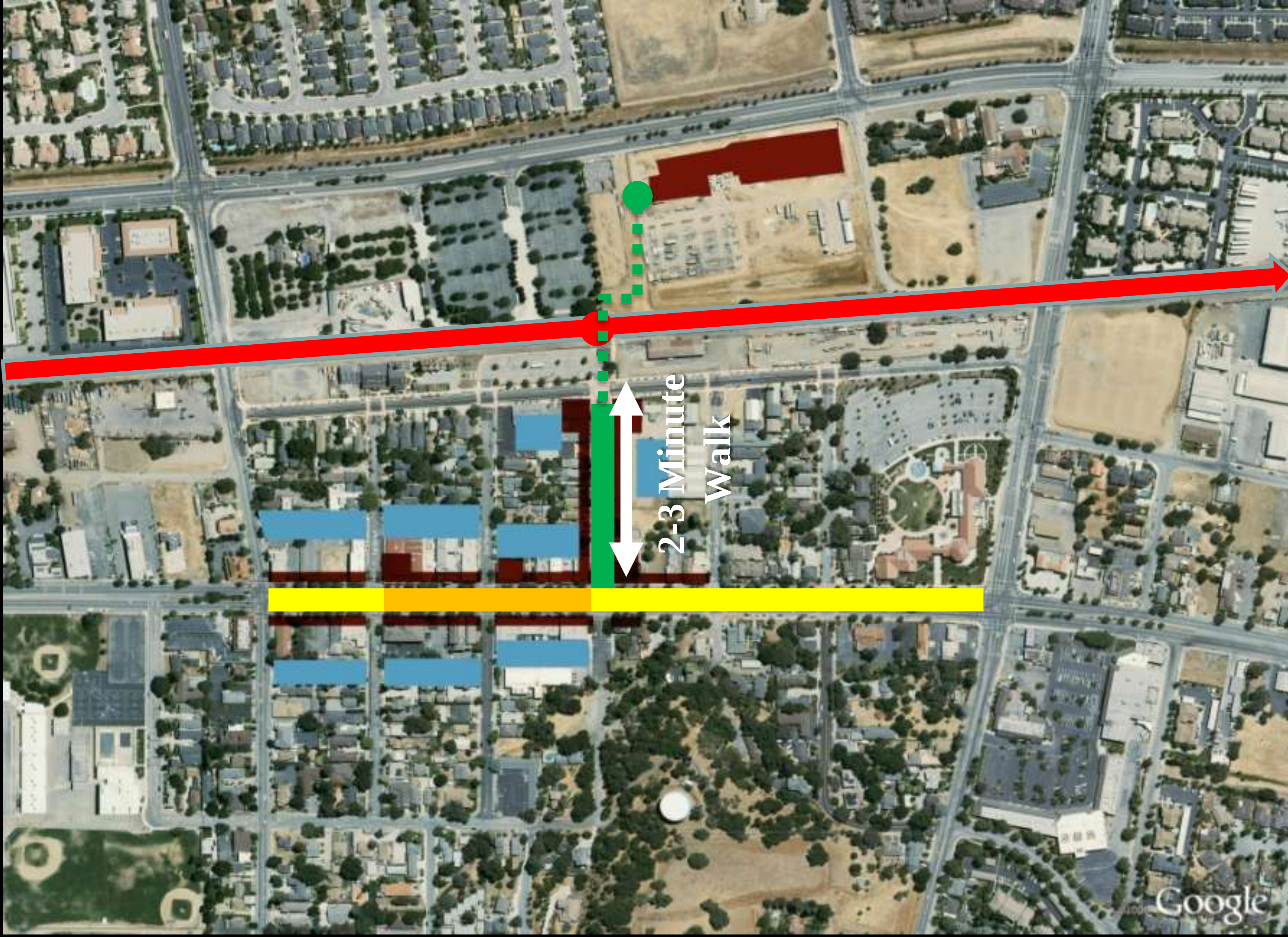
(construction estimating)

Keyser Marston

(financial analysis)

Aerial View from the South

Downtown Morgan Hill – Existing Condition



Downtown Morgan Hill – Proposed

B1: Block 3 – 95 E. 3rd (Depot Center, Booksmart, etc.)

Block 16 – VTA / RDA property (Caltrain lot)

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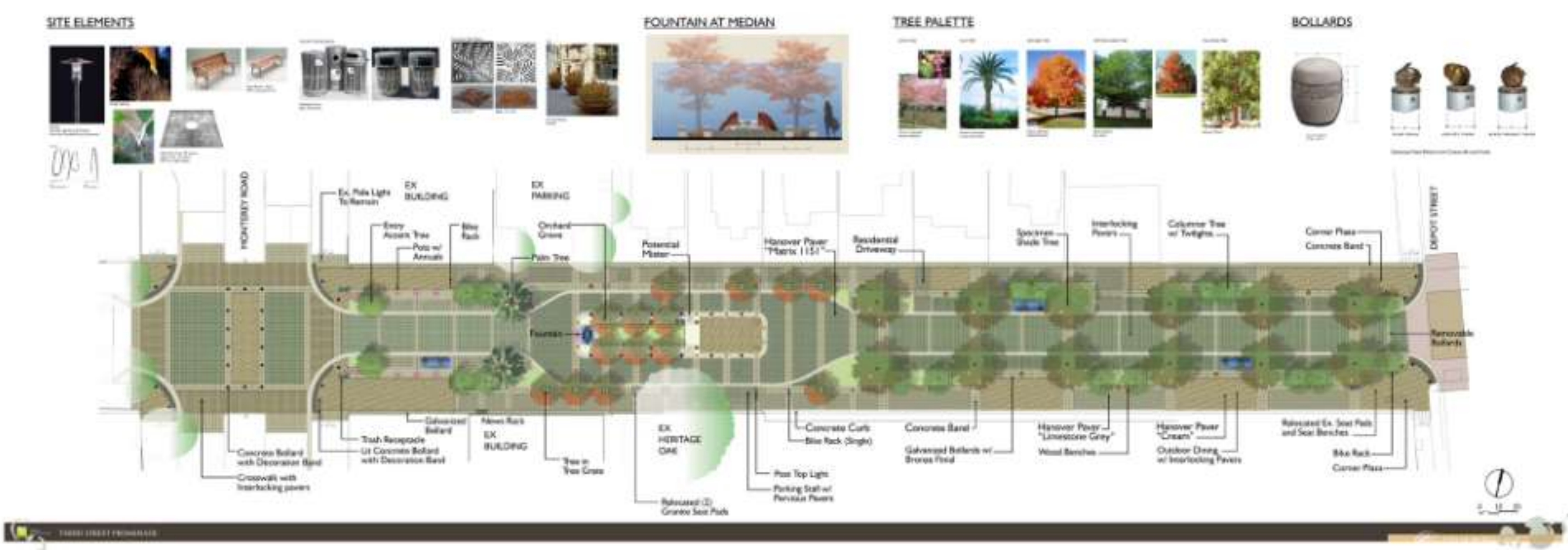


3rd Street Promenade

Existing Downtown

Residential:	26 Dwelling Units
Retail:	12,700 GSF
Parking:	39 Residential Spaces
Heights:	3 Stores (40’)

A1 - Block 2– Downtown Mall

Residential:	22 Dwelling Units
Retail:	7,700 GSF
Parking:	26 Residential Spaces
	8 Surface Spaces
Heights:	3 Stores (40')

A2 - Block 3 - Monterey & E. 2nd

Residential:	65 Dwelling Units
Retail:	14,000 GSF
Parking:	97 Residential Spaces
Heights:	3 Stores (40’)

B1 - Block 3 - Depot Center

Residential:	1 Existing Dwelling Unit
Retail:	400 GSF
Heights:	1 Story (20’)

B2 - Block 3 - 45 E. 3rd

Residential:	56 Dwelling Units
Retail:	27,000 GSF
Commercial:	34,000 GSF
Parking:	84 Residential Spaces
	30 Surface Spaces
Heights:	2-3 Stories (25’ – 30’)

C1 – Block 4 – Sunsweet, etc.

Residential:	214 Dwelling Units
Parking:	321 Residential Spaces
	600 Space VTA Garage
	(467 on existing lot)
Heights:	4 Stories (45’)

Block 18 – VTA / Caltrain

5 West Opportunity Sites
Residential: 62 Dwelling Units
Retail: 68,000 GSF
Commercial: 56,000 GSF
Parking: 93 Residential Spaces
227 Surface Spaces
Heights: 1-3 Stories (20' – 40')

VTA/City Site
Residential: 214 Dwelling Units
Parking: 321 Residential Spaces
600 Space VTA Garage
Heights: 3-4 Stories (45')

Downtown Opportunity Sites - ***Minimum Capacity***

5 West Opportunity Sites
Residential: 281 Dwelling Units
Retail: 104,000 GSF
Commercial: 17,000 GSF
Parking: 422 Residential Spaces
22 Surface Spaces
Heights: 1-4 Stories (20' – 50')

VTA/City Site
Residential: 222 Dwelling Units
Parking: 333 Residential Spaces
600 Space VTA Garage
Heights: 3-4 Stories (45')

Downtown Opportunity Sites - *Medium Capacity*

5 West Opportunity Sites

Residential:	428 Dwelling Units
Retail:	102,200 GSF
Commercial:	6,000 GSF
Parking:	642 Residential Spaces
	210 Surface Spaces
Heights:	4 Stories (45')

VTA/City Site

Residential:	284 Dwelling Units
Parking:	426 Residential Spaces
	560 Space VTA Garage
Heights:	3-4 Stories (45')

Downtown Opportunity Sites - ***Maximum Capacity***

RESIDENTIAL

	Total	Replaced	VTA/City	***Net Core***
Min	**276**	(2)	214	***60***
Med	**503**	(2)	222	***279***
Max	**712**	(2)	284	***426***

RETAIL (including theater)

	Total	Replaced	VTA/City	***Net Core***
Min	**68,000**	(64,700)	0	***3,300***
Med	**104,000**	(64,700)	0	***39,300***
Max	**102,200**	(64,700)	0	***37,500***

SUMMARY DATA

Objectives of Phase One

- Which project type & uses first
  - ➢ Theater
  - ➢ Retail Anchor
  - ➢ Housing
  - ➢ Parking
  - ➢ Mixed-use
- Which location (or locations) first
- Role of Agency
- Role of Property Owners
- Role of Developers

Phase One Anchor
Granada Theater

- 2004-2005: City facilitated direct negotiations between owner & Wilkinson (Colusa Theater, Chico)

- 2005-2007: City facilitated direct negotiations between owner and Gunsky (Cinelux, Morgan Hill)

- June 2007 – City draft ENA sent to Gunsky

Granada Theater - History

- Lot is 11,544 square feet, 9,750 square feet total
  theater is 7,459 square feet, retail space is 2,291 square feet

- Constructed 1951 - Closed approx. 2002

- 1 screen approximately 400-500 seats, wall constructed down the center and converted to 2 screens - 400 seats

- RDA purchased in January 2008

- Structure (foundation, walls) and some of the roof are the only useful components

Castro Valley

Other Cities with Theaters

Redwood City

Other Cities with Theaters

Redwood City

Other Cities with Theaters

Livermore

Other Cities with Theaters

San Mateo

Other Cities with Theaters

San Mateo

Other Cities with Theaters

Santa Cruz
Other Cities with Theaters

Santa Cruz
Other Cities with Theaters

First Phase of Implementation

- 4 Options Studied

  - 1 – rehabilitate existing structure on A1
  - 2 – construct new theater (as part of a larger project) off-street on A1
  - 3 – construct new theater on the 1st floor of A2
  - 4 – construct new theater on the 2nd floor (with lobby entrance) on A2

- 2 Options for further Discussion

Rehabilitate / Rebuild theatre on existing site

Option 1 – Existing Site

30 Dwelling Units

16,000 sf Commercial Office

21,000 sf Retail

New 12,000sf 3-screen theatre at back of paseo

Option 2 - Paseo

Option 3 – Single Story Relocation

Option 4 – Upper Story Relocation

4 Options Chart

t	Option 1	Option 2	Option 3	Option 4	New
	Rehab. Existing at A1	New at Rear of A1	New at Ground Level of A2	New at 2nd Level of A2	Tennant Sq. Addition
Site (acres)	0.25	1.49	0.51	0.51	
Theatre (sf)	7,550	12,000	11,000	14,000	8,667
Screens	2-3	3-4	3-4	4	3
Seats	400	550	500	600	430
Retail	2,500	21,000	5,000	7,500	
Residential (DU)	0	26	0	0	
Office (sf)	0	16,000	7,000	7,000	
Parking (net new)	0	160	(16)	17	

Project Parameters - Theater Options

	1	2	3	4
	A1 Rehab	A1 Off-Street	A2 Ground Flr.	A2 2^{nd} Flr.
Theater size (sq.ft.)	7,550	12,000	11,000	14,000
No of screens	2	4	4	5
No of seats	400	500	450	550

Theater (only) Development Costs

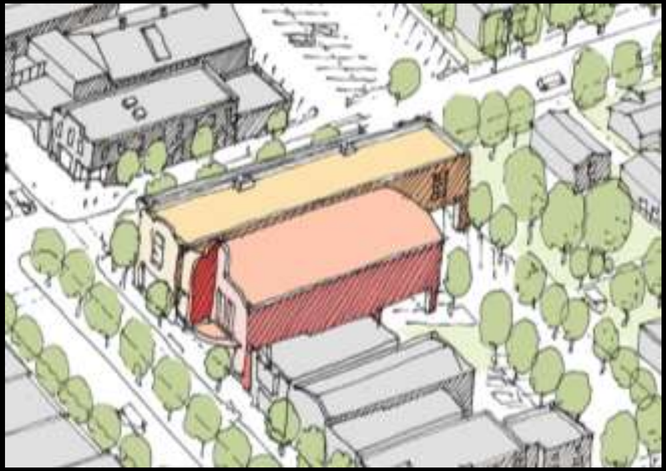
Construction	$3,375,000	$3,350,000	$3,300,000	$4,200,000
Total Project	$4,387,500	$4,355,000	$4,290,000	$5,460,000

All numbers are approximate.

2 Options Recommended for Consideration

- Renovate existing theater
  - As a stand alone RDA project
  - Remove theater from A1 development program

- Develop new theater (Monterey & 2nd)
  - On second floor
  - As part of mixed-use, retail & office project
  - Plus reconfigured & enlarge surface rear parking lot from 2nd to 3rd Streets



Pros-Cons of 2 Theater Options

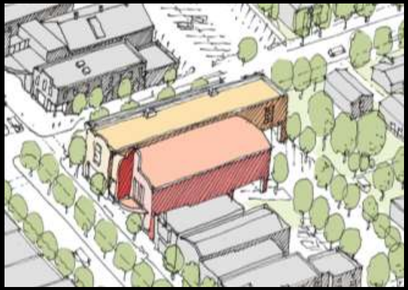
Option 1 – Site A1

Pros

1. Maintain historic connection at existing
2. Theater & sign are downtown icons

Cons

1. Higher cost and potential uncertainty of rehabilitation of 50 year old structure
2. Loss of historic connection at existing location
3. No developer investment, as 100 % City project
4. Remaining A1 site is reduced by 17%
5. Reduced site lowers # of residential units below apartment threshold in future A1 project
6. Reduces number of spaces and efficiency of potential underground parking structure



Option 4 – Site A2

Pros

1. Project most likely to receive developer interest in current market
2. Developer investment through RFQ
3. No residential component
4. Includes new retail anchor space on corner
5. Office space pays higher rents than retail space
6. Demand for office space should benefit from new courthouse
7. Office space expands DT work-force and visitors

Cons

1. Second floor location is more expensive
2. Sign must be relocated

Future Steps – Phase One

- Construct off-street parking lot (E. 3rd & Depot): + ~97 spaces
- Purchase Hencken property (Monterey & E. 3rd) & construct a temporary public parking lot: + ~20 spaces
- Complete construction of the Third Street Promenade
- Develop downtown Residential Development Control System (RDCS) strategy
- Reach consensus on preferred location for Granada theater

Future Steps – Phase One

- Release RFQ/RFP for Phase One Opportunity Site
- Assist owner of 45 E. 3rd with plans to construct a new retail space facing Third Street Promenade
- Assist owner of 95 E. 3rd with plans to construct a new retail space facing Third Street Promenade
- Refine leasing strategy for RDA-owned retail spaces
- Continue mitigation strategies for affected retail tenants

Phase Two

- Expand and reconfigure existing the surface parking lot (between E. 2nd & E. 3rd Streets) with adjacent property owners

- Cinema Project: secure a private investor / developer partner and construct the preferred cinema square project - target re-opening of the Granada for 4th quarter of 2011 or early 2012

- Complete review of on-street parking options

Future Phases

(as market conditions improve)

- A2 (Block 2) – Downtown Mall Site
- Block 4 – Sunsweet & Other Sites
- Block 3 – Depot Square Site
- Block 16 – VTA / City / Caltrain Site

Milestones

PHASE 1 SITE	
Release RFQ / RFP for Developers for Phase I Project	Spring 2009
Short List Developers	August 2009
Select Preferred Developer	September 2009
Negotiate ENA	December 2009
Complete DDA	Spring 2010
Start Construction	Fall 2010
Complete Construction	December 2011
OTHER PROJECTS	
Complete Depot Street Parking Lot	April 2009
Complete Monterey & east 3rd Street Parking Lot	June 2009
Downtown Specific Plan Considered For Adoption	June 2009
45 East 3rd Street Retail Space Under Construction	Fall 2009
95 East 3rd Street Retail Space Reconfiguration Starts	Fall 2009
3rd Street Promenade Completed	December 2009
East 2nd to East 3rd Streets Parking Lot Reconfiguration Completed	August 2010

Moving Forward

- Did we meet the objectives?
- Were opportunities illustrated?
- Is there a consensus on objectives for Phase One?
- Is there consensus on next steps and milestones?

CITY OF MORGAN HILL

Downtown Implementation Workshop

Thank You